



Wells Thomas, LLC

Retirement Plan Design and Administration

March 11, 2008

Commerce Committee
Room 110, Capitol Building
Hartford, CT 06106

Re: SB No. 652 (Raised) An Act Concerning Small Business Retirement Plans

Dear Members of the Connecticut Commerce Committee:

My name is Sean Thomas and I am the president of Wells Thomas, LLC, a Third Party Administrative company in Branford, Connecticut. My company, with a staff of ten retirement plan administrators and support personnel, provides retirement plan design and administrative services to approximately 370 small companies. We strongly oppose SB Number 652 – An Act Concerning Small Business Retirement Plans.

This Act would permit the State Comptroller to “establish a tax-qualified defined contribution retirement program to provide retirement investment plans, including, but not limited to, those created under Sections 401 of the Internal Revenue Code, of 1986...”

While we agree that efforts should be made to entice small companies to establish qualified retirement plans for their employees, we do not agree with the method proposed in this bill. It has been our experience that low cost generally equates to low service to the plan sponsor, which in turn results in little participation by the eligible participants. Our industry is one predicated on service to our clients, with the goal of increasing participation and retirement savings for all employees.

The key stumbling block we see in designing retirement plans for potential clients is not the administrative costs, nor the investment fees, but the restrictions in plan contributions. In short, most small company owners opt to implement a plan and make ongoing contributions to the plan if, and only if, the owners are able to see a tax advantage in doing so. Often this can only be achieved through more complicated plan designs.

In our complex profession, we strive to provide each client with an individually designed retirement plan that suits the need of that particular company. In an effort to accumulate sufficient retirement benefits for all level of employees, we recognize the need for ongoing monitoring of the plan design as well as education and service to both the employer and employees.

There are already a number of low- or no-cost plan design alternatives available to small companies, such as SIMPLE 401(k) Plans (which have very little administrative costs) and SIMPLE IRAs (which have no administrative costs). In addition, Safe Harbor Plans have been available for a number of years, which reduce administrative costs by eliminating certain plan testing requirements. These plans generally require the employer to make only a 3% of pay contribution to the employees and allow all employees to contribute higher amounts to the plan.


The current marketplace has continuously reduced the fund and asset management expenses under retirement plans. Several providers have released new products with lower expense ratios in order to compete in the qualified plan market. Many funds offered are Institutional or Retirement Class shares, with front and back end loads waived. Recent focus on fee disclosure has helped drive down Investment Advisor Fees.

In operation, if SB No 652 were to pass, an RFP for the state sponsored plans would be issued each time the current contract expires. If a change in the provider occurs, this would result in forced changes in investments by plan participants, mandating notices and education to all those affected in order to meet Fiduciary Requirements. This would create an extremely large administrative burden, with associated costs going to plan participants or Connecticut taxpayers.

These are just a few of the many reasons why we feel SB No. 652 is not a viable mean to increase the number of small companies sponsoring retirement plans. The administrative costs for the services provided by our industry result in each employer's qualified plan being treated individually, as required by the Employee Retirement Income Security Act of 1974. We feel that having a so-called "streamlined" state-sponsored plan would likely side-step this important tenet in retirement plan administration.

Again, I ask that you oppose SB No 652 as, not only would it potentially take away the majority of our client base (as well as tax revenue to the state from our profession), but in doing so it would likely lessen the services these clients receive.

Sincerely,



Sean W. Thomas, QKA
President